HUMAN EVENTS

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Crisis of Internal Security: Grave fears arise here in the Capital that a formidable monkey wrench may be thrown into the machinery, created within the last five years, for ousting Communists and fellow-travellers from the Government.

Experts who have seen this machinery — however imperfect — forcing obvious subversives out of the rank of officialdom for some years, now worry about changes proposed by the Administration. Two amendments put forward draw the fire of every informed anti-Communist expert, as follows:

(1) The Administration wants to take away the power of firing subversives from the security officers of every agency in the Government, and to place this power in the hands of officials of the rank of "Assistant Secretary or higher" — who are political appointees. The security officers are civil servants who have had real experience and are not subject to outside pressures. The "assistant secretaries" are the pawn of politicians, who often act to soften the necessarily severe decisions on security cases, as a result of political pressure.

(2) The Administration also urges that, whenever "national security will not be endangered," witnesses who have given derogatory information (to the FBI, for example) may appear voluntarily at security case hearings and the accused bureaucrats may "confront their accusers" and cross-question them. This may sound fair enough to the uninitiated. But, to bring into hearings members of the FBI undercover squads (who work within the Communist Party) and to confront them with the accused, would clearly expose these FBI agents and end their usefulness. Observers conclude that if this rule is to prevail, the work of J. Edgar Hoover and his staff will be badly crippled.

These two proposals come on top of a whole wave of opposition to the security system which started from the *Daily Worker* and the Communist Party. The crusade against McCarthy, the concerted attack on government informers (signalized by the uproar over the Matusow case), the refusal of Solicitor General Simon Sobeloff to sign his name to a Department of Justice brief against a "confrontation" case (thus revealing a disturbing split in Government ranks) are accumulating indications of the persistence of forces within this country determined to weaken our internal security safeguards.

Inside circles in the Senate Office Building say that extreme left-wing Senator Hubert Humphrey has planned a series of hearings in a Government Operations subcommittee with a "stacked" list of "liberal" witnesses to testify to the alleged unfairness of the working of the Security system. A field day for the "liberals."

Stock Market Hearings: The shadow which hangs over the Fulbright hearings and — indeed — over the stock exchange itself (probably contributing to the adverse reaction this week), is the word "re-negotiation." "Liberal" Senator Fulbright has been saying that perhaps the big companies have been making excessive profits from arms contracts and that this factor has helped sustain the bull market. There is a possibility that the Arkansas prober will come out demanding a new law (the old one expired) for renegotiation of defense contracts.

UN as OPA: To the many perils which the United Nations offers to national and individual rights is now added another: international price-fixing. The UN's Economic Commission for Europe (according to the *Wall Street Journal*, February 24) has made a proposal to set up machinery to fix what it calls the "right" prices for crude oil produced in the Middle East as well as for petroleum products refined and marketed in Western Europe. Surprisingly, the Western European papers picture this project as break-

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ing a lance against "monopoly;" U.S. observers — who see in it an international OPA, the biggest monopoly of all — smile.

That the "right" price for oil may not be decided on purely economic but on political grounds is unabashedly admitted by the report. This study and proposal for a petroleum OPA comes from a body headed by none other than Professor Gunnar Myrdal, prominent Swedish socialist. This socialist professor, in a study he wrote for the Carnegie Foundation some years ago, said some strong things against the American Constitution. The latter, he said was "impractical and unsuited to modern conditions" and its adoption was "nearly a plot against the common people."

Not Merely Gossip: "Mrs. Ruth Shipley is retiring and there's a great row on my beat," said he who covers the State Department. He who watches Interior a few blocks away (a long way off in this busy hive of bureaucracy) asked, "Who is Ruth Shipley and why is there a row?"

"Ruth Shipley has been Chief of the Passport Division for many years and the liberals are raising a row." "Why should they row? An empty job, that's what they want for one of their friends."

"That's just it. Mrs. Shipley wants to name her successor. The liberals don't want her or anyone like her." "Well, what's Shipley done?" "For years she's fought the Commies and their higher-up friends who wanted to get those Reds passports and visas." "Oh, oh. I seem to remember Eleanor. . ."

"You take the words out of my mouth. And Mrs. Shipley wants as her successor one Frances Knight, who's made a good record as assistant to Scott McLeod, Security officer of the Department and a foe of the Reds and liberals. See it now?" "Yes, but why doesn't Shipley just ram Knight through? She's supposed to have the right to name the successor."

"Because, Dulles has to make the appointment official. And the liberals are working on him. Besides, Dulles has been out of the country." "What's he been doing out of the country?" "I hear he's been fighting the Reds at those conferences."

Right to Work Laws: Fred A. Hartley, Jr., President of the National Right to Work Committee has crossed swords with the "intellectual" American Civil Liberties Union. Hartley (former Congressman and co-author with Taft of the famous labor law) heads a movement to defend the existence of "right to work" laws in 17 states and to push them in others. The laws in general ban "compulsory union membership" and the "union shop." They have held out well against assault by the labor bosses. Now, the "intellectuals" take a hand.

The American Civil Liberties Union, long under fire for being "soft on Communism," says it fears (see *New York Times*, February 21) that state right-to-work laws may be used to block labor's basic organization rights. The "intellectual" group is quoted as saying in effect that no civil liberties are involved in forcing a man to join a labor union in order to be able to hold a job.

Hartley retorts: "Your attitude makes a mockery of your professed principles. A labor organization is a private organization. You are contending that forcing a man to join a private organization in order to make a living does not violate his civil liberties. Would forcing him to join a church, farm organization or civic group violate his civil rights? These too are private organizations."

Hartley says: "By federal law, labor's right to persuade the workers to join unions is protected. An employer may not require a worker to stay out of a union as a condition of employment. Why should he be made to join a union in order to earn his living? What basic organizing right of labor is violated if a man is free to join a union or not to join a union as his conscience and his situation dictates?"

Federal Aid: The inevitable implications of federal aid to states appear vividly in a piece in the *Indianapolis Times*, February 24. An elderly Hoosier applied to Marion County court for certification of her age. Judge Niblack, after examining the evidence, issued an official birth certificate for the lady. This is the official and usual practice. But the Federal Social Security office took another view. The female clerk in charge over-ruled the court; she wanted to see the evidence on which the Judge based his decision. Judge Niblack cited the clerk for contempt of court.

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The *Times* comments: "We rather doubt, though, that she is personally, or at least solely, responsible for this remarkable attitude. It is, alas, one we have found quite common among federal bureaucrats, who have already tried to tell our General Assembly what laws it can pass and our state government what employees it may hire. She probably got this right out of a 'directive' from Washington."

Lawyer Warren: One of the greatest efforts of those who have sought to belittle the Red menace in America is to get people to believe that, when a person asked by Congressional investigating committee about his Communist connections pleads the Fifth Amendment, such a person may be entirely innocent. Hence it came as a shock to distinguished lawyers to find the Chief Justice of the U.S. Supreme Court — Earl Warren — in an address at the graduating exercises of Washington University at St. Louis recently deploring "doubts about the rights of individuals to invoke their Constitutional privilege against self-incrimination [i.e., the Fifth Amendment]."

The Chief Justice's learning on the Fifth Amendment should be contrasted with that of three admittedly eminent jurists. When a Senate Committee in the fall of 1952 had exposed a nest of American employees in the UN who hid behind the Fifth Amendment when questioned on their Communist affiliations, Trygve Lie, the UN Secretary-General, left the decision as to whether they should be fired to a panel of noted lawyers — one from England, one from Belgium and one from the U.S. (William D. Mitchell, former Attorney General of the United States.) These jurists agreed unanimously that "the exercise of this privilege [Fifth Amendment] creates so strong a suspicion of guilt that the fact of its exercise must be withheld from a jury in a criminal trial." They unanimously informed Lie in substance that when a witness before a Congressional Committee is asked whether he is now or ever has been a Communist and refuses to answer on the ground of the Fifth Amendment that such witness is in effect admitting his guilt — and that Lie should have no hesitancy in firing the American employees who had hid behind the Fifth Amendment when questioned by the Senate Committee.

Anyway, Chief Justice Warren was awarded an honorary LL.D. by Washington University.

Arsenal of Americanism: One piece of news from the grass roots enheartens the probers of Communism — Dies, McCarthy, Walter, Eastland — in the nation's capital. These figures and their staffs watch eagerly for signs throughout the country that their material is getting to the people through the smokescreen of the propaganda and news slanting of the "liberals", not the least of the "liberal" professors who hold a monopoly on thought-control over college towns.

Now, the Rochester *Times-Union* describes under the title "A New Arsenal of Americanism" the Ithaca Reading Room Against Communism, operating in the heart of downtown Ithaca on a corner in a first-floor room. The Rochester paper's local correspondent, H. B. Genung, says the walls, tables and shelves are full of books, pamphlets, congressional reports and periodicals (among them HUMAN EVENTS) in which "every phase of Communism, of its infiltration in this country is to be found there with a wealth of reference." Led by a local attorney, Mr. Robert V. Morse, public-spirited citizens have launched this experiment which the Rochester paper says is attracting many people, including, surprisingly, "a large proportion of young folks, many of them of high-school and college age." The Cornell *Sun* blasted the enterprise, but the sponsors of the room say, "don't blame them; they are nice lads and merely reflect the indoctrination they have received."

The sponsors say that the reading room was started "because we live in the blackout belt of the northeastern states where information touching Communism is hard to get. For example, when J. Edgar Hoover expressed himself on Senator McCarthy, it was suppressed though obviously top news. It was on the press wires, but it was not printed," in local or nearby metropolitan papers. The Rochester paper says: "Here is a line of anti-Red endeavor that may really have something — especially for our sons and daughters. It's worth watching." (Address: Ithaca Reading Room Against Communism, 208 North Aurora Street, Ithaca, New York.)

Libertarian Action: The Congress of Freedom will hold its fifth national assemblage in San Francisco, the week of April 25-30. Convention headquarters will be the Veterans War Memorial Building in that

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city. (HUMAN EVENTS readers may recall our reportage on the first convention held in Omaha in October, 1953, with Archibald Roosevelt as chairman.) Mr. Robert LeFevre (author of the HUMAN EVENTS article, "Even the Girl Scouts") is Executive Secretary of the organization and may be reached at P.O. Box 165, Colorado Springs, Colo. Among members of the National Advisory Council of the organization are: Hon. Spruille Braden, General A. C. Wedemeyer, William Loeb and former Congressman Howard Buffett.

The forthcoming gathering will differ from previous conventions in that debate and study will be confined to a single subject: "An appraisal of the United Nations in terms of the American principles of individual liberty." There are eight stated objectives of the study, one of which offers much interest (in view of its need today), namely: "to bring together in one volume an authoritative American study, with conclusions on the United Nations, other world government plans and treaty law."

The Diminished Mind, A Study of Planned Mediocrity in Our Public Schools, by Mortimer Smith. The Henry Regnery Company, 20 West Jackson Blvd., Chicago 4, Ill. Price $2.75. Reviewed by Frank Chodorov.

It isn't "progressive education" anymore. That name has lost its luster. And though its umbilical cord leads to the postulates of John Dewey, the new thing is called Life Adjustment Education. From the point of view of those who believe that the purpose of education is to expose youth to knowledge — to the 3 R's particularly — the latest fad in education is worse than its predecessor.

The theory underlying this LAE is that sixty percent of the children are incapable of learning the traditional subject matter; so why teach it? As for the other forty percent, it is just too bad that they are mentally superior. In a democratic society the majority rules, and so these unfortunates must not expect to get an education they are capable of absorbing. If your son or daughter happens to go to a public school which is dominated by the Life Adjusters, you can expect her to become proficient at baking a cherry pie, him at driving a nail straight; and both of them will have ideas on how to entertain at social parties, and how to have a successful "date." Oh, yes, the curriculum includes a course on "what to do with old-fashioned parents."

If the objective of education is to enable the young to make adjustment to life, the question is what pattern of life do the Adjusters have in mind? To this the professors of education have a ready answer; it is not the life based on "outmoded" values, but one in which the highlights will be a guaranteed income for all, nationalization of all natural resources and enterprises of a monopolistic tendency, subsidization of artists and scientists, tax-supported music, drama and movies, and many other things that are embraced in a name the Adjusters carefully avoid: Socialism. They call it Social Reconstruction. The public school, then, is a brainwashing institution, democratic style; teachers are just plain indoctrinators.

The full story of this conspiracy to subvert our public school is told in the very readable and well-documented little book, *The Diminished Mind,* by Mortimer Smith. Mr. Smith, however, is not an "enemy of public education" — he is all for it — and the corrective therapy he suggests is an investigation of the whole subject by a committee of qualified citizens. This seems to be, in view of the evidence he himself has adduced, somewhat Pollyannish. But, this letdown does not in the least diminish the informative value of the book; in one evening you learn enough about what is going on in our schools to prompt you to give up your car so that you can send your child to a private school.

The Diminished Mind is a book worth buying for (1) yourself; (2) the Public Library; (3) your son or daughter in college; (4) your Superintendent of Schools. You can buy it from HUMAN EVENTS at the bookstore price of $2.75. With EACH book, we will give you a free 8-weeks' subscription to HUMAN EVENTS. You may have the 8-weeks added to your subscription. Better yet, *send the subscription to someone else who should be reading HUMAN EVENTS.* In sending us your orders, specify the names and addresses of those to whom you want (1) books sent, (2) subscriptions sent. Allow two weeks for fulfillment of subscriptions and books.

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DEBT BY DECEPTION

By HERBERT M. BRATTER

"We advocate . . . reduction of expenditures by the elimination of waste and extravagance so that the budget will be balanced and a general tax reduction can be made . . . [and] monetary policies . . . as will permit the realization of our aim of a dollar on a fully convertible gold basis." [The 1952 Republican Party platform.]

THE PRESIDENT has offered to Congress two large and controversial welfare programs planned to extend many years ahead. One is the school program; the other, the highway program. Both mean heavy financial obligations which, if the plans are adopted in their present form, will not be frankly recorded in the Treasury's financial statements. Instead, they will involve financing on Federal credit with evasion of the public debt limit fixed by law.

The school program calls for outright grants by the Federal Government of up to $1 billion and the floating of school-district securities, for the debt service of which the Federal Government would pledge as much as $3 billions, if needed. In the case of similar public housing bonds, the Attorney General has ruled that they also do not come under the debt limit, and are in effect guaranteed by the U.S. In bankers' language, the school securities — like the public housing bonds — would be contingent liabilities of the Federal Government.

The road program, developed by the Clay Committee and forwarded to Capitol Hill by Mr. Eisenhower, contains a similar gimmick for getting around the present $281 billions public debt limit. The Committee would create a special Federal corporation to borrow about $25 billions for the Federal Government's contribution, over and above what Washington is now planning to spend. Here again the money would be borrowed on the credit of Uncle Sam but it would not appear in the budget or the public debt statement. Senator Harry F. Byrd says the proposals "violate financing principles, defy budgetary control and evade Federal debt law."

Byrd adds: "If the Federal Government can properly borrow money in this fashion without regarding it as debt, and spend it without budgetary control, it may be expected that similar proposals will be made for financing endless outlays which may be desirable for education, hospitals, public health, etc. It creates fiscal confusion . . . and destroys confidence in Government credit. You cannot avoid financial responsibility by legerdemain."

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It is true, what they are saying. The Administration has been resorting to financial "devices;" the budget is not what it seems; the public debt figures are deceptive. All this is true today. What's more, it has been true for years. In fact, the National Planning Association's recent publication on the Federal budget — *The Budget in Transition* by Sidney G. Tickton — shows financial improvisation going back as long ago as 1821, when President Andrew Jackson financed the purchase of Florida from Spain "in an extraordinary manner." So, what the very conservative financial officials of the Eisenhower Administration have been doing to get around the rigid debt limit imposed on it by the Congress are only new manifestations of rather old practices.

WHAT HAS THE Government been doing to justify these critical comments? And how, in those and other respects, are the budget and debt tables misleading? Keep in mind that the Congress last summer put a temporary ceiling of $281 billions on the public debt, with a scheduled return to the former $275 billions ceiling next June 30, unless the Congress meanwhile provides otherwise. And note that the actual public debt subject to the ceiling on January 31, 1955, stood at nearly $278 billions. With these figures in mind, we find the following:

In the controversial Dixon-Yates contract the Administration, like its predecessor, has arranged for the private construction of privately-owned power facilities to supply power to the AEC under long-term contracts. During the construction years under these contracts, the cost does not appear in the budget currently, but will be charged to it gradually. Without this device, inaugurated with the Electric Energy, Inc. contract in 1951, expenditures between 1951 and 1956 — the National Planning Association estimates — would have been altogether $600,000,000 larger than actually budgeted.

Next, chronologically, came the Commodity Credit Corporation's practice of selling to banks "certificates of interest" in groups of loans for farmers. This practice has the effect of postponing charges against the budget. As the certificates of interest are sold by CCC, the Treasury's records show a reduction in "expenditures." Later, as farmers default on the crop support loans and Uncle Sam makes good, budget "expenditures" rise. In other words, this CCC device kept the budget deficit and the debt in fiscal 1953 and 1954 smaller than otherwise. From 1954 alone some $1.5 billions were shifted into 1955 and similar financing is budgeted for the next two years pursuant to authority enacted by the Congress.

UNDER a 1954 law, lease-purchase agreements make possible the erection of post-offices and other Government buildings without the capital cost thereof appearing in the budget or augmenting the deficit, excepting gradually over their lifetime. As in the Dixon-Yates case, the construction is privately financed, but the Government signs a contract requiring it to pay an annual rental adequate to cover operating costs, taxes, interest and amortization. Thus, the construction cost does not appear in the budget as

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a capital expenditure, does not immediately add such cost to the deficit and does not press against the present $281 billions debt limit.

Last November, the Federal National Mortgage Association was rechartered as a partly private corporation; the future transactions thereof were to be excluded from the Federal budget. The rechartered FNMA was authorized to sell debentures to finance its operations. Over the next years FNMA could supply the market for mortgages with $1.4 billions; yet, according to current policy, being now a partly private corporation, FNMA's mentioned operations will not show in the Federal budget. Another function of the new FNMA is liquidation of its portfolio of the Federal Housing Administration and the Veterans Administration mortgages acquired before November 1, 1954. In carrying out this function, FNMA sells non-guaranteed notes and pays the proceeds to the Treasury. Its receipts from the portfolio liquidation show in the budget; but its non-guaranteed notes show only in the public debt. Thus, more confusion is added to Federal finances.

Eisenhower's school program now lying before the Congress involves in part expenditure during three years of up to $1 billion for outright grants and the purchase of school-district securities coupled with a pledge to pay as much as $3 billions if needed on debt service of state and local school issues. This would constitute an addition to the Federal Government's contingent liabilities, concerning which we report below. This school financing pledge is similar to the U.S. backing of local housing authorities' public housing projects, through the Public Housing Administration. When a question arose as to the Government's liability, the Attorney General ruled that the housing securities are in effect guaranteed by the U.S. But they do not come under the debt limit.

In November, 1953, to keep within the then debt limit while raising money for operations, the Treasury spent $500,000,000 of so-called free gold, locked up since the devaluation of 1934.

Various other changes in Federal financial procedure have made the budget and public debt statements hard for the layman to follow. Among these have been the bookkeeping on checks issued and paid, the handling of Government contributions to civil service retirement and "unallocated reductions" in Defense Department spending.

Whereas, during the past six years, the budget on a consolidated basis shows a net surplus of $400,000,000, the National Planning Association study estimates it would have shown a total deficit of $29.2 billions, but for the various changes in the treatment, form and method of reporting, and in the timing of tax receipts.

IF THE BUDGET contains pitfalls for the hasty reader, the public debt statement also requires interpretation. To be sure, Uncle Sam owes the nearly $278 billions mentioned above. How much more than that he has let himself in for no one can tell.

For one thing, there are about $528,000,000 of direct obligations not subject to the debt limit: matured debt, Panama Canal bonds and postal savings bonds; and non-interest bearing debt securing outstanding banknotes. Secondly, we note some $49 billions (last

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June's total) of goods contracted for by the Defense Department and others, which must be paid for as it comes in during the next few years.

Next are some $2⅓ billions of securities and liabilities of Federal agencies, including the banks for cooperatives, the CCC, the Federal home loan banks and the Federal intermediate credit banks. More than $28 billions of obligations issued on the credit of the U.S. are outstanding in the form of Federal Reserve notes and postal savings accounts.

Another whopping contingent liability of about $172 billions is insurance in force. Of this group, the largest item is the Federal deposit insurance, $106 billions. Also there are veterans life insurance, Federal savings and loan insurance, Federal crop insurance and Export-Import Bank insurance. Then, we find about $31 billions of guarantees of private obligations by a long list of agencies, among them: FHA, Veterans Administration, CCC, defense agencies, the Eximbank, the Farmers Home Administration, the FOA, the Small Business Administration, and others. Finally, come more than $7 billions of other commitments, including over $2.5 billions to the World Bank, $3.1 billions in FHA mortgage loan insurance commitments, REA, RFC, CCC and other involvements not already listed.

Of course, one cannot add all these billions of contingent liabilities to the public debt because we do not know how much of them the Government will be called upon to meet. Moreover, many of the contingent liabilities are offset by Government securities already included in the public debt total and by other assets. Government insurance involves the collection of fees and building of reserves. Home, farm and business loans by the Government are secured by underlying assets. Federal Reserve notes are a first lien on reserve-bank assets.

The public accounts — budget and public debt of all kinds — reflect changing bookkeeping concepts. They bear the imprint of many administrations and many Congresses. Over and over again they reveal the compromises between the executive and legislative branches of the Government. The Administration proposes, but it is the Congress that disposes, as Secretary of the Treasury Humphrey realizes full well when he tries to balance the budget, pay the bills the Congress is running up, and at the same time keep within the debt limit the Congress has set.

But not all of Mr. Humphrey's problems originate on Capitol Hill. The White House, where lies the ultimate responsibility for carrying out party policy, has political problems to consider.

Mr. Eisenhower's Economic Report and State of the Union message listed numerous proposals which would increase either the spending side of the budget or direct and contingent Federal liabilities: drought aid, a strengthened Point IV program, Government and Congressional pay raises, roads, schools, more public housing, etc. — something for everyone. After all, 1956 is election year, when we shall get two not-so-new platforms and, perhaps, two not-so-new candidates.

Herbert M. Bratter is the Washington correspondent for *Banking* and has contributed to the *Commercial and Financial Chronicle* and other economic publications.

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